SEP 18 1972
MICHAEL RODAK, JR., CLERK

IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1972

No. 72-253

PET, INCORPORATED,

Petitioner,

v.

KYSOR INDUSTRIAL CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

BRIEF FOR RESPONDENT IN OPPOSITION

HAROLD S. SAWYER
Attorney for Respondent

WARNER, NORCROSS & JUDD
900 Old Kent Building
Grand Rapids, Michigan 49502

OF COUNSEL:

ROGER M. CLARK
WARNER, NORCROSS & JUDD
900 Old Kent Building
Grand Rapids, Michigan 49502

TABLE OF CONTENTS

	Page
Opinions Below	1
Jurisdiction	2
Question Presented	2
Statutes Involved	2
Statement of the Case	2-4
ARGUMENT	4-6
I. In holding that removal of this action from state to federal court was improper, the Court of Appeals has correctly applied legal principles which are simple, clear and well-settled	4-6
II. This case is not ripe for decision on any important point of federal law	6
III. Conclusion	7

CITATIONS

Becher v. Contoure Labs, Inc., 279 U.S. 388 (1929)	5
Bell v. Wood, 327 U.S. 678 (1946)	5
Gully v. First National Bank in Meridian, 299 U.S. 109 (1936)	5
Harms Co. v. Eliscu, 329 F.2d 823 (2d Cir. 1964), cert. den. 381 U.S. 915 (1965)	5
Lear, Inc. v. Adkins, 395 U.S. 653 (1969)	5, 6
Louisville & Nashville Ry. Co. v. Mottley, 211 U.S. 149 (1808)	5
Lukett v. Delpark, Inc., 270 U.S. 296 (1936)	5
Pratt v. Paris Gas Light and Coke Co., 168 U.S. 255 (1897)	5
Public Service Commn. v. Wycoff Co., 344 U.S. 237 (1952)	5
Tennessee v. Union and Planters Bank, 152 U.S. 454 (1894)	5
The Fair v. Kohler Die & Specialty Co., 228 U.S. 22 (1913)	5

IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1972

No. 72-253

PET, INCORPORATED,

Petitioner,

v.

KYSOR INDUSTRIAL CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

BRIEF FOR RESPONDENT IN OPPOSITION

OPINIONS BELOW

The opinion of the District Court is reprinted in the appendix to the petition at page 1a. The *per curiam* opinion of the Court of Appeals appears in the appendix to the petition beginning at p. 21a and was reported at 459 F.2d 1010.

JURISDICTION

The Court of Appeals held that the federal courts are without jurisdiction to hear this case and ordered it remanded to the state court in Michigan from which it had been improperly removed by Petitioner. Federal jurisdiction on removal was purportedly based on 28 USC §1441(b) and 28 USC §1338(a). The jurisdiction of this Court to review the Court of Appeals decision that federal jurisdiction is absent is invoked pursuant to 28 USC §1254(1).

QUESTION PRESENTED

Whether a contract action brought in a state court may be removed to federal court by the defendant as a "civil action arising under any Act of Congress relating to patents", solely on the basis of the defendant's claim in its removal petition that the acts charged in the complaint do not amount to a breach of the contract sued upon but give rise only to a cause of action for patent infringement.

STATUTES INVOLVED

Pertinent statutory provisions are 28 USC §1441(b), set forth in the petition at p. 2, which provides for the removal from state to federal court of civil actions of which the federal district courts have original jurisdiction founded on a claim arising under federal law, and 28 USC §1338(a) which invests the federal district courts with original jurisdiction in cases arising under the patent laws of the United States.

STATEMENT OF THE CASE

The question of whether the federal courts have jurisdiction of this action on removal from state court involves a dispute as to the basic nature of this litigation. Petitioner

Pet, Incorporated, (Pet) claims that the action is really a patent case and is therefore removable from state court to federal court. The position of Respondent Kysor Industrial Corporation (Kysor), which was sustained by the Court of Appeals, is that the complaint asserts only contract rights which do not provide the basis for federal jurisdiction on removal, so that the action must be remanded to the state court in which it was originally begun.

Kysor and Pet are competing manufacturers of commercial refrigeration display equipment of the type used in supermarkets. Both parties held patents covering various parts of their products, and in 1965 they found themselves in a dispute involving patent infringement claims by both parties. The dispute was settled and a settlement agreement was executed in which both sides undertook not to sue each other for patent infringement so long as no further encroachments were made on what was agreed upon in the agreement as the salient characteristic of each party's product. The agreement also contained an express undertaking by each party that it would not make further modifications in its product in the direction of the salient characteristic of the other party's unit. The operative language of the agreement, upon which this action is based, is as follows:

> "[I]t is understood and agreed that . . . HUSSMAN [Pet] will not depart from its present engineering and manufacturing know-how in the direction of the DUAL JET [Kysor] unit utilizing essentially only indirect cooling.
>
> "[I]t is understood and agreed that . . . DUAL JET [Kysor] will not depart from its present engineering and manufacturing know-how in the direction of the HUSSMAN [Pet] unit utilizing direct and controlled product cooling." Appendix to Petition, p. 17a.

Kysor's complaint in the Circuit Court for Wexford County, Michigan (Appendix to Petition, pp. 12a-15a), charged that Pet breached the above-quoted provision of the settlement agreement in its 1971 models, for which Kysor sought injunctive relief and monetary damages.

Pet's removal petition, filed in the District Court for the Western District of Michigan pursuant to 28 USC §1446(a), stated as the basis for federal jurisdiction that "the activity of petitioner alleged in the complaint cannot constitute a breach of the agreement, but can only give rise to a cause of action for patent infringement as to which the jurisdiction of the United States District Courts is original and exclusive (28 USC §1338)." Pet's jurisdictional theory, which was accepted by the federal district court in denying Kysor's motion to remand the case to state court, is that the case arises under federal patent law because the contract sued upon is void and unenforceable under federal antitrust law in the absence of underlying patent rights to support it. The Court of Appeals, however, viewed Pet's federal law issue as essentially *defensive* in nature and held that the possible existence of federal patent or antitrust law defenses to Kysor's state law contract law claim could not provide the basis for federal jurisdiction on removal.

> "Kysor elected to assert only contract rights in State court. Pet may not, by asserting that Kysor's only *valid* cause of action is by way of suit for patent infringement, convert this action into one arising under the patent laws of the United States." (Appendix to Petition p. 23a; 459 F.2d at 1012.)

ARGUMENT

I. In holding that removal of this action from state to federal court was improper, the Court of Appeals has correctly applied legal principles which are simple, clear and well-settled. These principles include the following:

The plaintiff's own claim determines the existence of a federal question. Because federal jurisdiction on removal is geared to original jurisdiction in the federal courts according to 28 USC §1441(b), the federal question must be presented in the plaintiff's own statement of his case, and there can be no removal where the federal question is presented for the first time in the defendant's peition for re-

moval or answer. *Gully* v. *First National Bank in Meridian*, 299 U.S. 109 (1936); *Louisville & Nashville Ry. Co.* v. *Mottley*, 211 U.S. 149 (1808); *Tennessee v. Union and Planters Bank*, 152 U.S. 454 (1894). No federal claim is raised on the face of Kysor's complaint.

The initial choice of forum is the prerogative of the plaintiff. Kysor, as plaintiff in this action, had the right to decide what law it will rely upon, and if both federal and state law claims are available to it, Kysor is entitled to rely upon one and ignore the other in order to control the question of whether federal jurisdiction is present or absent. *Bell* v. *Hood*, 327 U.S. 678 (1946); *The Fair* v. *Kohler Die & Specialty Co.*, 228 U.S. 22 (1913); *Harms Co.* v. *Eliscu*, 339 F.2d 823 (2d Cir. 1964), cert. den. 381 U.S. 915 (1965). Moreover, the defendant is not entitled to deprive the plaintiff of this choice of forum through such devices as a declaratory judgment action in federal court based upon what would be his federal law defenses to the plaintiff's original complaint. *Public Service Commn.* v. *Wycoff Co.*, 344 U.S. 237 (1952).

The Court of Appeals correctly observed that "It is well established that every case involving patent issues is not a 'civil action arising under any Act of Congress relating to patents'," and that "Kysor is free to file and maintain a contract action in state court which may be subject to federal patent-antitrust law defenses." (Appendix to Petition, p. 23a; 459 F.2d at 1012). A suit to enforce or to revoke a patent licensing contract or some similar agreement pertaining to patents is not an action "arising under" federal patent law and cannot be maintained in the federal courts as such. *Lukett* v. *Delpark, Inc.*, 270 U.S. 296 (1926); *Becher* v. *Contoure Labs, Inc.*, 279 U.S. 388 (1929); *Pratt* v. *Paris Gas Light and Coke Co.*, 168 U.S. 255 (1897). Where a suit based upon such an agreement is brought in state court, questions concerning the validity or infringement of underlying patents are properly considered only in the state court. *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969).

The Court of Appeals has based its decision in this case upon a sound and consistent application of the foregoing principles. Pet's Petition fails to show that any modification or adjustment of these rules is required.

II. This case is not ripe for decision on any important point of federal law. This case has barely begun. There has been no trial and no decision on any question raised in the pleadings other than that Pet's removal of the case to federal district court was improper and that it must be remanded to the state court in which it was begun, pursuant to 28 USC §1447(c). It is simply impossible to predict at this point what the outcome of the case will be, whether the ultimate result will turn on some question of federal law or some adequate non-federal ground, or even to identify the federal issues upon which the ultimate result may depend. There is no record, and with only the bare complaint (and Pet's answer, which was filed in the district court after the case had been transferred to the Court of Appeals) and arguments of counsel to guide the Court, it would be impossible to frame any concrete federal question for decision, and the Court would be forced to speculate as to what federal issues are involved and what treatment they would have received in the process of litigation in the state courts.

Moreover, it is impossible at the outset of this case to predict how the Michigan state courts will interpret the contract sued upon and what balance they will strike, if any is required, between the protection afforded to contracting parties under state law and any countervailing rights based upon federal law.

> "Given the difficulty and importance of this task, it should be undertaken only after the State courts have, after fully focused inquiry, determined the extent to which they will respect the contractual rights of such inventors in the future." *Lear* v. *Adkins*, 395 U.S. at 695.

The appropriate time to undertake a review of the federal questions which Pet insists are involved in this case is after those questions have been heard and determined in the state courts of Michigan. Review of such decisions is available in this Court pursuant to 28 USC §1257(3), and accordingly Pet's present petition should be denied.

III. Conclusion. For the foregoing reasons, it is respectfully submitted that this petition for a writ of certiorari should be denied.

Respectfully submitted,

HAROLD S. SAWYER

WARNER, NORCROSS & JUDD
900 Old Kent Building
Grand Rapids, Michigan 49502
616/459-6121

September 15, 1972

Of Counsel:

ROGER M. CLARK
WARNER, NORCROSS & JUDD
900 Old Kent Building
Grand Rapids, Michigan 49502